Trustee and Me

A guide to understanding transfers, your benefits and options

Standard Life Staff Pension Scheme

Please note that, in line with statutory requirements, you are only entitled to one guaranteed transfer quote in any 12-month period.

Before making any decision on whether or not to request a guaranteed transfer quotation and/or transfer we suggest that you and, if applicable, your adviser read this guide to help you compare the different choices available to you and the associated risks.

About this guide

This guide is split into sections and is aimed at those members who might be considering transferring their benefits out of the Standard Life Staff Pension Scheme (SLSPS). Its aim is to assist you and, if applicable, your adviser to reach an informed decision on whether or not transferring your benefits out of the Scheme (in whole or part) is in your best interests.

The Scheme offers important benefits for you and your dependants, including a pension for you at retirement and valuable benefits if you die whilst a member of the Scheme.

Section 1

High level summary of transferring

A quick view highlighting key things to think about and know when considering transferring

Section 2

Important information about your benefits

As part of considering transferring you should take into account the benefits of the scheme, which are covered in more detail in this section

Section 3

Transferring and new pension flexibilities - the options

Information and deeper dive into the new flexibilities introduced for people accessing their retirement savings from age 55

Section 4

The transfer and quote process in more detail

We look at options on transfer, getting a transfer quote before you decide, and going ahead

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UK laws and tax rules may change in the future. The information in this guide is based on our understanding in April 2019. Your personal circumstances also have an impact on tax treatment. References to 'Company' mean the company within Standard Life Aberdeen group (Standard Life Aberdeen plc and its subsidiaries) that is your employer, and to 'Standard Life' mean the Standard Life Aberdeen group.

Additional support

To support the main guide we have included some additional content and contacts below

Question and answer

We have included a handy Q&A section to help you understand some of the most common questions around transfers, the process and your options - See page 19

Additional support

We have included a reference guide to additional areas of support when considering transferring - See page 22

Although every effort has been made to ensure that the content is accurate, this is intended only as a guide and not to give you advice. The guide is not a legal document and your membership of the Scheme is subject to the Scheme's Trust Deed and Rules (which may be amended from time to time). These are the legal documents that will always overrule this guide in the event of any inconsistency or question of interpretation, and which set out the full details of your benefits. This guide is also subject to statutory transfer laws, which may change in future.

If you or your adviser has any questions on this guide please contact Mercer at:
standardlifepensions@mercer.com

Section 1

High level summary of transferring

Things to consider

Why might I consider a transfer?

The reasons for transferring will be different for different individuals and will depend on their particular circumstances. Typically, they include at least one or more of the following:

- To have more control of how you take value from your pension.
- To be able to pass on the value of your pension pot to dependants.
- To increase the amount of cash you can access on retirement, albeit subject to tax.
- To take more value from the Scheme in the case where your life expectancy is short and you have no spouse or partner.
- To avoid the risk that the Scheme and Standard Life is unable to afford to pay the pensions promised.

Why might I not transfer?

Again each member must consider their own circumstances but some considerations include:

- To have a guaranteed pension for life.
- To have a pension which is inflation-proofed (up to 5% p.a.).
- To have the security of knowing that your spouse/partner will receive a pension for life.
- To avoid taking on investment risk.
- To avoid the need to manage your own investment portfolio.
- To avoid administrative costs.
- The fact that, at present, Standard Life is considered by the Trustees to be a strong employer and the Scheme is very well funded, meaning that the risk of your pension not being paid is reduced.

Key considerations

If you have decided or are in the process of deciding then these key things should be taken into consideration

Things to think about

Benefits
Before considering transferring it's important to consider your existing benefits under the Scheme.

Choices
The new pension flexibilities and your existing benefits under the plan should both be factored into your decision.

Advice and support
Once you transfer you cannot reverse the decision, so if you don't fully understand your options you may want to take financial advice to support your decision.

Quote and process
Understanding how the process fits in with your planning and timings is an important consideration.

Important points

Key point
This guide highlights your existing benefits, which should be a key part of your consideration and how you think about your short, medium and long-term financial planning.

Key point
Your existing benefits and personal circumstances are key factors to take into account when looking at your options. See page 8.

Key point
Before making any decision on whether or not to request a guaranteed transfer quotation and/or transfer we suggest that you and, if applicable, your adviser read this guide to help you compare the different choices available to you and the associated risks. See page 21.

Key point
Please note that, in line with statutory requirements, you are only entitled to one guaranteed transfer quote in any 12-month period. See page 10.

Remember that once you transfer this is absolute and cannot be reversed. With this in mind, the Government has made it a requirement that anyone planning to transfer benefits from a DB arrangement to a DC arrangement must take independent financial advice first if their DB benefits are worth £30,000 or more.

Section 2

Important information about your benefits

Before considering whether to transfer your benefits, it is important to understand what benefits the Scheme provides. For service prior to 1 January 2008, you are entitled to defined benefits (DB). For service after 1 January 2008, you are entitled to Defined Contribution (DC) benefits or Revalued Career Average Salary (RCAS) benefits, depending which option you selected when changes were introduced in 2008. For service from 16 April 2016, DC benefits only are provided.

Trustee and Me

Your benefits in the Scheme

In respect of your DB and DC benefits, the Scheme entitles you and your dependants to the following.

DB benefits

You are entitled to receive a pension which will be payable for the rest of your life. Your pension is broadly worked out using your years of 'pensionable service' and your 'pensionable salary'. The period over which your pensionable service and pensionable salary is measured depends on when you joined the Scheme and what options you chose in 2008. At retirement, you can choose to give up part of your Scheme pension and receive a tax-free cash sum and a smaller pension.

DC benefits

The contributions that you and the Company have paid into the DC section of the Scheme are invested in accordance with your investment choices. The section headed 'The New Flexibilities - Options in the Scheme', outlines what choices you have when you decide you want to access your DC savings.

Early retirement

Your Normal Retirement Age in the Scheme is 60.

You may, if you want to, retire at any time after age 55 (or 50 in some cases depending on when you joined the Scheme) and take your Scheme pension. But, if you do this, your pension will be reduced because it is being paid early (and could potentially be paid for longer).

Scheme pension increases

Once you start to receive the Scheme pension it will usually increase each year (there are different rates of increase that apply to different elements of your pension). The pension payable includes an amount which is payable between retirement and your State Pension Age. At that point it is removed. This is referred to as the State Scheme Deduction in the pension so you should see an increase in your income at State Pension Age.

Benefits if you die

The following benefits may be payable.

Before you retire

A pension for your spouse/partner payable for the rest of their life. The spouse/partner's pension will increase each year in a similar way to your pension.

There is a separate life assurance arrangement that provides lump sum death in service cover of 4 times salary.

After you retire

- If you die within 5 years of your retirement date, a cash sum based on the balance of 5 years' unpaid instalments of your DB pension will be paid to your dependants. Any benefits due in relation to your DC savings will depend on the choices you made at retirement, see the Flexibilities or Retirement Guide for more information on this.
- A pension for your spouse/partner payable for the rest of their life. The spouse / partner's pension will increase each year in a similar way to your DB pension.

Section 3

What are the choices through transferring

The New Flexibilities – An Overview

On 6 April 2015, the law changed to allow UK pension schemes that provide defined contribution (DC) benefits to offer members different ways to access these benefits. There are new, flexible options for taking retirement income and fewer restrictions on the amount that can be withdrawn as cash. These options are described below.

Annuity/Pension - You can use some or all of your defined contribution savings to buy a pension, or annuity. There are lots of different types of annuity to choose from - but once a decision has been made, it's final.

Cash - You are now allowed to take as much cash as you like from your defined contribution savings at retirement - all of it, if you want to. The cash amount up to the first 25% of the value of your benefits would be tax-free. However, you would pay income tax at your highest rate on any cash you take above that level.

Drawdown - Drawdown is arguably the most flexible of the three options. It allows you to take an income directly from your defined contribution savings, while you carry on investing the rest. You can vary the amount you receive while drawing down, or stop and start as and when it suits you. The idea is that by leaving the rest of your savings invested, you will keep 'topping up' with returns, giving you sufficient funds to continue drawing your income.

Drawdown is not without risk so it is important that you read the 'Before You Decide' section of this Guide to fully understand what investing in drawdown would mean for you.

Key point

These new options only apply to DC benefits and do not apply to DB benefits. Please note that it is up to each individual scheme to decide which options to offer, and not all options are currently available under the Scheme. See the following section headed "The New Flexibilities - Options with the Scheme" for information about which options are available for your DC benefits under the Scheme

The New Flexibilities – Options in the Scheme

As explained, the new flexible options *only apply to your DC savings*. It is possible to exercise some of these flexibilities from the Scheme without transferring out. But, if you want to access other flexibilities which the Scheme doesn't offer or if you want to access any of the flexibilities in relation to your DB benefits, then you would need to transfer them out of the Scheme to a suitable DC arrangement (see section 4 "Quote and transfer process in more detail"). You cannot transfer your DB benefits to the DC section in the Scheme to access the flexibilities. This type of transfer is not permitted under the Rules.

The rest of this section outlines the flexible options in relation to your DC savings which are available from within the Scheme.

Annuity

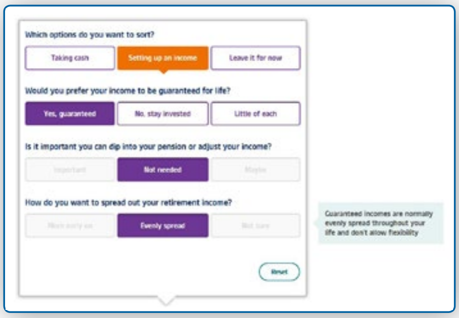
You can use some or all of your DC savings to purchase an annuity at retirement.

Cash

Although the new options mean that you can take all of your DC savings as cash, it is important to understand how that would work in the Scheme. There are two options:

1. Take all of your DC savings as cash
The technical term for this is taking an Uncrystallised Funds Pension Lump Sum (UFPLS). You can exercise this option only once when you come to draw your benefits from the Scheme. If you want to do this, then the first 25% of your DC savings would be paid tax-free and the balance will be taxed at the highest tax rate you pay.

2. Use your DC savings to fund your tax-free cash only
You are allowed to take a proportion of both your DB benefits and your DC savings as a tax-free cash sum. The maximum amount you can take free of tax is broadly 25% of your Scheme benefits. In calculating the maximum amount of tax-free cash you can take, we can aggregate both your DB and DC benefits (the formula for calculating tax-free cash in respect of your DB benefits is slightly different). This means that, in a lot of cases, members can take most, if not all, of their DC savings in one lump sum, tax-free.



What happens if I have DC savings in excess of the tax-free amount?

If you have elected to aggregate your DB benefits and DC savings to calculate the maximum cash, and you have cash in excess of the tax-free amount remaining, your options are to take the excess as an UFPLS or use it to buy an annuity.

If you take your tax-free amount from your DC savings and your DB benefits separately, then your options in relation to your excess DC cash are to take it as an UFPLS, use it to purchase an annuity or transfer it another arrangement that allows you to "drawdown" on your DC savings.

Drawdown

The Rules do **not allow members to "drawdown" their DC savings** in the Scheme. If you want to have flexibility over how much cash you take and how frequently you draw this down then you would need to transfer your DB and/or DC benefits to a suitable drawdown arrangement outside of the Scheme.

Support

If you don't fully understand your options or how transferring can support your financial plans you should seek financial advice - see page 22 for more details.

Understanding the new DC flexibilities

www.standardlife.co.uk has a retirement pathfinder tool which can help your understanding of what the new flexibilities can offer and how they work.

Section 4

Transfer process and quote in more detail

Options on Transfer

On 6 April 2015, the law changed to allow UK pension schemes that provide defined contribution (DC) benefits to offer members different ways to access these benefits. There are new, flexible options for taking retirement income and fewer restrictions on the amount that can be withdrawn as cash. These options are described below.

Cash

You could transfer your benefits and take the whole of your cash transfer value as immediate cash. One-quarter of it would be tax-free and the rest would be taxed at your marginal tax rate. Or you could put the cash into a drawdown product and take some cash out from time to time. You would need to be careful of the tax position, as taking a large amount of cash could potentially push you into a higher tax bracket.

If you are taking cash, you also need to think carefully about how long you expect to live in retirement. People generally underestimate how long they will live once they retire and in doing so run the risk of running out of money later in their retirement.

A different kind of pension

You could use some or all of your cash transfer value to buy a pension from an insurance company (referred to as an annuity). This would give you a range of different kinds of pension to choose from. You can:

- use the whole of your cash transfer value to buy a different kind of pension; or
- take up to a quarter of your cash transfer value as tax-free cash, and use the rest to buy a smaller pension.

With any of these options, you would pay income tax on the pension you get in the normal way.

You should note that the value of the transfer you will receive from the Scheme may not be able to buy in the open market a pension as large as that which the scheme would have offered.

Here is a summary of some of the types of pension you can buy

Single life pension

This pays you a pension for the rest of your life. The pension stops when you die - nothing is paid to any dependants you leave.

Joint life pension

This pays you a smaller pension for the rest of your life, and then pays a pension (often half the amount of your pension) to your husband, wife, civil partner or other dependant after you die.

Enhanced or 'impaired life' pension

If you smoke or have health problems, you might be able to get a higher pension. This is because you will not be expected to live as long as someone in better health who does not smoke.

You also have further options on how your pension is paid, for example:

Level pension

This pays you a pension that stays the same for the rest of your life - it doesn't increase. This means that the purchasing power of your pension will reduce over time as it won't keep pace with inflation.

Increasing or 'escalating' pension

This pays you a lower starting pension than a level pension, but it will increase each year for the rest of your life. You can choose the type of increases you want. They could be at:

- a fixed rate (for example, 3% a year), or
- the same as inflation, with or without an upper limit (for example, the same as inflation up to a limit of 3% a year).

As a general rule, if you choose higher increases, your pension will start at a lower level.

Income drawdown

You put your cash transfer value into a 'flexible drawdown' arrangement and take income out when you want to. You can take different amounts out at different times, and there is no limit on the amount you can take out at a time.

You can use drawdown to take a fixed income for a short period.

You are not 'locked in' to income drawdown. If you decide in the future that you want to buy an annuity from an insurance company, you can.

You also need to think carefully about how long you expect to live in retirement. People generally underestimate how long they will live once they retire, and this could therefore result in you running out of money later in your retirement.

Tax and income drawdown

You will pay income tax at your highest rate on any income you take out of a drawdown arrangement. You might be able to keep the rate of income tax at a lower level by being careful about how much you take out each year.

The current Lifetime Tax Allowance (LTA) is £1m. If your accumulated pension savings are above the LTA you will also have to pay an additional 25% tax charge on the excess. You should note that the LTA charge is generally considered more penal for DC pension funds. In the Scheme an annual pension of up to £50,000 would attract no LTA charge. In a DC pension fund a pot of £1m can reasonably be expected to generate a smaller pension than that. An adviser can help you look at your options and consider what each option means for you and your circumstances.

Investment and income drawdown

If you want to take drawdown, you will need to choose investments for your pension savings. You will need to try and keep some of your pension savings growing, so that inflation does not take away their value. But, in seeking that return, there is a risk that your savings could fall in value if your investments do not perform as expected.

Drawdown and dependants

You can leave any money still in your drawdown arrangement to your dependants when you die.

- If you are under 75 when you die, your dependants can have your left-over pension savings free of tax. They will pay no tax on it, whether they take it as a single cash amount or as drawdown. Your dependents would however have to pay tax on any amount above your LTA.
- If you are 75 or over when you die, your dependants will be able to take money out of your left over pension savings at any time, and pay income tax at their own highest rate. It doesn't matter how old they are, and there are no limits on how much they can take. They could also take the left over money as a single amount of cash, but they would pay tax on it at their highest rate for that year. Your dependents would, in addition, have to pay tax on any amount above your LTA.

Shopping around

There are lots of different pensions available from different insurance companies as well as lots of different companies offering drawdown arrangements. Before you decide, you should ask a financial adviser what type of pension and/or drawdown would be best for you (see the following section headed "Before You Decide").

Getting a Transfer Value Quote

Getting a high-level view

Go to OneView for an initial estimate.

You can login to one view at: **www.merceroneview.co.uk/standardlife** or via Lifelens.

If you don't have your login details or have any problems logging in to the Oneview site, please contact Mercer on: **0330 100 3491.**

Key point

This will give you a good idea of the amount payable if you were transferring your whole DB and DC Scheme benefits - this is **not a guaranteed** transfer value.

However, at this stage, the estimate may be enough to help you decide whether or not to make a transfer at all, and if so, what kind.

Request a Formal Quote

If, having viewed the transfer value amount on Oneview, you are interested in transferring some or all of your benefits, then we would recommend that you speak to your financial adviser and then you should contact Mercer to request a formal Guaranteed CETV quote.

If you want a partial transfer, you can either ask for it as a percentage of the overall transfer value of your benefits, or as a fixed amount of money. You will need to specify the amount you wish to apply to your DB benefit and your DC savings.

You can contact Mercer at:
standardlifepensions@mercer.com

Within three months of your request, Mercer will send you a pack containing the exact transfer value, along with any further details you need (for example, if you choose a partial transfer, the amount of DB pension and DC savings you'd still have left in the Scheme). The value of the CETV will reflect the factors in place at the time it is calculated.

As noted above, the CETV can move materially from month to month due to changes in gilt yields. Your guaranteed CETV may thus be different to the illustration you saw on Oneview. Mercer will do what they can to produce the CETV promptly but the time taken will depend on many things including the complexity of the calculation and other work demands. You cannot select which month's CETV factors you want Mercer to use.

Your transfer value is guaranteed for 90 days and must be accepted within this time if you intend to proceed (see the following section headed **'Going Ahead'** for details of what you need to do to accept your transfer value quote).

Remember that you are only entitled to one guaranteed CETV quote in any 12-month period. Therefore if you ask Mercer for a formal quote and don't act on it, you will need to wait 12-months for another one.

Before you decide

Here are some of the other things you need to think about before you make your decision

Independent financial advice

As explained above, to fully access the new flexible retirement options you would need to transfer your DC and/or DB benefits out of the Scheme into a different arrangement.

Although transferring your DB benefits to a DC arrangement would allow you to access all of the new flexibilities, it is important that you fully understand the implications of transferring so you can determine if this is right for you. With this in mind, the Government has made it a requirement that anyone planning to transfer benefits from a DB arrangement to a DC arrangement must take independent financial advice first if their DB benefits are worth £30,000 or more.

The Trustees strongly encourage taking independent financial advice before making a transfer, whatever the size of your pension.

Please note: the £30,000 figure refers to the overall 'transfer value' of your pension - not the yearly amount of pension you've built up. You may find that a yearly pension of around [£1,000 to £2,000] is worth £30,000.

Please see the section below headed "Going Ahead" for information about finding an IFA.

Benefits for your dependants

The Scheme automatically pays a pension for your dependants if you die before them.

If you transfer your benefits out of the Scheme, this also stops any benefits your dependant would have received from the Scheme.

- If you buy a different type of pension, you choose whether or not to include a dependant's pension with it.
- If you take income drawdown, any money left over after you die would be available for the dependant you name (but you don't know if there will be any left).

You should discuss this with your spouse, civil partner or anyone else who might be eligible for a pension if you die before them, before you make your decision.

Protected Retirement Age

Depending on when you joined the Scheme, you may have a right to take early retirement from the Scheme at age 50, instead of the normal minimum age of 55. Members with a protected early retirement age of 50 can take their retirement benefits from age 50 from the Scheme. Members without a protected early retirement age can take their retirement benefits from age 55 from the Scheme, which is the current normal minimum pension age for HMRC purposes.

If you have a protected early retirement age, this will usually be lost if you transfer your benefits out of the Scheme. It may, however, be possible for you and at least one other member of the Scheme to transfer your benefits out of the Scheme in a manner that meets certain requirements imposed by HMRC and which protects your early retirement age in the receiving scheme.

You may therefore be able to take your retirement benefits from age 50 in the receiving scheme, provided that the relevant HMRC requirements have been met and the rules of your receiving scheme allow this to happen. This is known as a 'buddy transfer'. The other transferring member does not need to have a protected early retirement age.

The availability of your protected early retirement age in the receiving scheme will depend on the rules of your receiving scheme and HMRC's own assessment of the validity of your 'buddy transfer'. The Scheme is not responsible for this and you should ask your IFA and the receiving scheme for further information and advice if you wish to consider the option of a 'buddy transfer'.

If you intend to transact on a "buddy transfer basis" you and the other member must each complete the Scheme's block transfer agreement, which is enclosed with your transfer pack, and return this with your 'application to process with transfer of benefits' form.

If you have agreed with more than one other member of the Scheme that you will transfer your benefits to the same receiving scheme at the same time, please contact Mercer to request a block transfer agreement suitable for use where there are more than two members involved.

Your health

If you take your DB pension from the Scheme, you get the same level of income whatever your state of health and hence your life expectancy.

If you smoke or have health problems which limit your life expectancy, you might find that transferring your benefits out of the Scheme and buying an 'enhanced' or 'impaired life' annuity gives you a higher level of income.

Inflation

The DB Scheme pension includes set pension increases that would help protect your benefits against future inflation.

You could transfer out and buy a non-increasing pension. This would not protect you against future inflation. The cost of living would rise, but your pension would not. You might think having a higher starting pension is more important than the future inflation risk.

If you choose income drawdown, you would need to invest your pension savings to try and make them grow faster than inflation. The kinds of investments that grow well also have a higher risk of falling in value quickly.

Tax matters

Starting to draw your pension early while you are still in employment could mean that you pay more income tax, as your tax liability is based on your total income

Making a transfer may also have implications on the tax payable after your death and you are strongly advised to take your own tax advice on this point.

Choosing investments

If you transfer your pension savings out of the Scheme, you will need to invest the money, either for a short time or for a longer time in the future. This depends on what you want to do with your pension savings.

- If you use your cash transfer value to buy a pension immediately, you will not need to invest it.
- If you think you might buy a pension in the near future, you will need to choose investments that will protect the value of your pension savings.
- If you decide to buy a short-term annuity or use income drawdown, you will need to keep some of your pension savings growing.

In choosing your investments, you will need to consider carefully the balance between risk and return. To keep sufficient funds to keep paying your pension for the rest of your life, you will have to seek adequate returns. But all investments have a risk that their value goes down. If this happens you may also have to reduce the amount of pension you draw each year.

You also need to consider that, if you decide to transfer your DB benefits to a DC arrangement, unlike in the Scheme, you would be taking all the investment risk, which could considerably affect the value of pension you will receive in the future if your investments do not perform as expected.

You should plan who will manage your investments if your health suffers. You may currently feel capable of managing your investments, but this may be more difficult as you get older. You also need to consider whether your spouse or partner would be able to manage the investments if you were to die.

Investment is a complicated subject and we cannot provide investment advice. The Money Advice Service website, *www.moneyadviceservice.org.uk* has more information about personal pensions and investment choices. Your adviser will also be able to advise you about your investment choices.

Going Ahead

Take financial advice

At this point - if you haven't done so already - you should take independent financial advice to make sure a transfer is the most suitable option for you. You must show the adviser the transfer value quote you've received. Remember that if your transfer value is £30,000 or more it is a legal requirement to take advice before the transfer can be paid.

In selecting your adviser, you should recognise that some will be able to advise on all providers' products whereas others will be restricted to certain providers' products. Before contacting one which will only recommend one provider's products, you should ensure that you know that their products are best for your needs.

An adviser can help you look at your options and consider what each option means for you and your circumstances.

An adviser can help you with:

- Pension benefits, including:
  - Guaranteed income
  - Tax planning
  - Passing money onto your children
  - Control of your pension
  - What to do once you've made your choice

Standard Life employees and their families benefit from a 30% discount on financial advice from Private Client Management (PCM). PCM is a financial planning service designed to help people looking for advice on their finances.

It works best if you've investable assets worth at least £200,000 - this can include property, savings and pensions. There is a £2,000 minimum fee for advice, which is lowered to £1,400 after the discount.

For more information, please call **0345 272 6600**.

If you are new to seeking financial advice, there's plenty of help online:

The **Money Advice Service** offers a wide range of general financial guidance. Despite the name, it cannot give you personal financial advice, or tell you what decisions to take, but it does include help with choosing an adviser, and what you might want to ask them.
www.moneyadviceservice.org.uk

The Unbiased portal has a facility that helps you find an adviser in your area.
www.unbiased.co.uk

The Financial Conduct Authority holds the list of registered financial advisers. You need to make sure anyone you consult is properly qualified and authorised to help you - so a good way to do that is by making sure they're on here.
www.fca.org.uk

Confirm the transfer should go ahead

If, after taking financial advice, you decide to carry on with the transfer, you need to return the 'discharge form' that came with your pack to Mercer within 90 days of receiving your quote. Mercer will check your documents - and that you've received the required advice - and if all looks fine, they will pay the amount directly to your new arrangement.

Before you send the forms in you need to be sure you have definitely determined that you want to go ahead. Once Mercer have received all the forms and processed the payment, you will not be able to reverse the transfer. Once you have transferred you will not be able to transfer back to the Scheme.

The transfer value will usually be guaranteed for 90 days and if that is the case, you must complete and return all of the relevant paperwork within that 90 day time limit in order for your transfer to go ahead.

Mercer will confirm to you that the transfer has taken place, and send you all the details for your records.

Transfers

Frequently Asked Questions

Who calculates the transfer value?

Mercer (as administrators of the Scheme) will work out the 'transfer value' of your DB benefits. This is referred to as your Cash Equivalent Transfer Value (CETV). This is the formal term used to describe the cash value of your DB benefits available for transfer. Once a CETV is quoted it is usually guaranteed for a period of 3 months.

How is my Scheme transfer value calculated?

Broadly speaking, a transfer value for a DB benefit is calculated by working out the amount the Scheme expects to need in order to fund the pension benefits you will be entitled to at your normal retirement age (assumed to be 60). This lump sum is then reduced depending upon how far you are away from age 60, as the Scheme would have expected to earn investment returns. The way this calculation is done is governed by rules applied by the Trustees and the scheme actuary, known as the transfer value basis. Under the transfer value basis, the transfer value is calculated on a neutral basis, whereas the scheme would normally make prudent assumptions for unknown events. The transfer value is thus less than the reserves in the scheme. In addition, a surplus in the scheme does not result in higher CETVs.

The assumptions that are used in the calculation of your CETV are determined by the Trustees' transfer value basis. The CETV figures depend on the yield on government bonds or gilts which are used to estimate the investment returns that the Scheme would have made. The CETVs change each month based on the gilt yields in the market at the end of the previous calendar month. You should be aware that this can result in material changes (up or down) in CETVs between one month and the next.

The transfer value of your DC benefits is the value of your DC pot at the date the transfer takes place.

If you decide to go ahead with a transfer, the transfer value would be paid as cash into your new arrangement.

How often do the Trustees review the transfer value basis?

The Trustees are responsible for setting the transfer value basis and will typically review the assumptions after each formal triennial valuation. In order to determine the transfer basis, the Trustees take into account a range of factors, including the latest triennial valuation exercise, recent changes in investment strategy and the relevant legislative requirements.

After taking advice from the Scheme Actuary, the Trustees have updated the transfer value basis with an effective date of 1 March 2016. The next triennial valuation will be at 31 December 2016 and needs to be concluded by 31 March 2018.

How often can I get a transfer value quote?

You can log on the Mercer Oneview site and get an indicative transfer value figure at any time. The Oneview site also has details of the current value of your DC pot. This is just an illustrative figure and is not a formal CETV quote. There are no restrictions on how often you can access Oneview for an indicative transfer value figure.

If you want a statutory formal guaranteed CETV quote then you need to contact Mercer on 0330 100 3491 or by e-mail at: ***standardlifepensions@mercer.com*** to request this. Your adviser will need the formal guaranteed CETV quote before they can give you advice.

Please note that, in line with statutory requirements, you are only entitled to one guaranteed CETV quote in any 12-month period.

Transfers – Frequently Asked Questions continued

Why can't I have more than one guaranteed transfer value quote in any 12-month period?

The statutory requirement on the Scheme is to permit one guaranteed CETV in any 12-month period. The Scheme's policy adopts this approach. The two main reasons for doing so are risk for the remaining members and administrative demands.

The Trustees have to balance the interests of all 16,000 members of the Scheme. Offering a guaranteed CETV means that the departing member is immune from movements in financial markets and that risk is passed to the Scheme (for the duration of the guarantee). This could affect the security available to protect the benefits of those who remain.

In addition, processing transfers is complex and there is a risk of delays in the processing of important transactions for other members such as deaths, retirements and pension increases. The Trustees have therefore decided that the policy gives transferring members their statutory right to leave the scheme but in a way which protects the interests of other members.

The Trustees do have discretion in individual cases to permit members to have more than one guaranteed CETV in a 12-month period. They will normally only do so in cases where the member's circumstances have changed in an unforeseen way, for example if they are made redundant by Standard Life.

Is there an age limit on when I can transfer?

You have a statutory right to request a transfer of your DC benefits at any time before you retire. You are only entitled to a statutory transfer of your DB benefits up to one year before reaching normal retirement age.

However, the Trustees have decided to treat DB and DC benefits in the same way under the Scheme. This means you can apply to transfer your DB benefits at any time before you actually come to draw your pension [even if you are over age 60, providing your pension hasn't been put into payment]. This is what is called a non-statutory transfer.

Do I need to transfer my DB and DC benefits at the same time?

No, you can transfer your DB and DC benefits separately, if you want to.

Indeed, the Trustees have decided to make the process even more flexible - so you can now choose a 'partial transfer', and move your DB and/or DC benefits in stages, if you want to.

Why might I consider a 'partial transfer'?

If a DB pension provides some stability, and DC savings offer you some flexibility, you may decide you want to combine the two.

In practical terms, this means that you can move part of the value of your DB pension and/or your DC savings out of the Scheme and into a new arrangement to take advantage of the new flexibilities.

For your DB pension, the amount you choose not to transfer will simply stay where it is. This smaller amount of DB pension will then be available for you to draw when you retire.

For your DC savings, you must leave at least £100 in your DC pot on transfer. Any DC savings remaining will continue to be invested in line with your investment choices and future contributions will continue to be added to your pot.

Transfers – Frequently Asked Questions continued

You can make more partial transfers in the future if you want to, although you may need to bear the following practical points in mind:

- You are only allowed one guaranteed partial transfer quotation in any 12-month period (see above).
- You cannot include any Guaranteed Minimum Pension (or 'GMP') in your partial transfer. (Historically the Scheme has been 'contracted out'. This arrangement allowed both the Company and employees to pay lower National Insurance. In return, the employee didn't build up any additional State pension while contracted out, and the scheme was required to pay a certain level of benefit to cover it. GMP is the minimum level that applied between 6 April 1978 and 5 April 1997 - so you will have some GMP if you were in the Scheme between those dates.)

For some people, a partial transfer could be the 'best of both worlds'. But whether it's suitable for you or not will depend on, among other things, the size of the DB pension and the amount of your DC savings you have in the first place, and what you think your outgoings might be when you retire. Think of it as drawing a debit from your pension. Do you have special plans or needs that might need a cash outlay early on - and then do you have the level of ongoing income you want for the years after that?

Again - even if your DB benefits under the Scheme are valued at less than £30,000 - ***we would strongly recommend that you take financial advice before making a decision. (Note, even if you are only taking a partial transfer, it is the total value of your DB benefits under the Scheme that is used in assessing the £30,000 threshold).***

What effect will GMP (guaranteed minimum pension) Equalisation have on my transfer?

If your benefits in the Scheme relate to service between 17 May 1990 and 5 April 1997, part of your pension entitlement may include a right to a GMP.

You may have seen in the press that a High Court decision in October 2018 partly clarified how overall pension scheme benefits should be calculated where members have accrued a GMP between those dates. As a result of this, it is possible that your benefits will need to be recalculated resulting in a higher pension entitlement for you. Your quoted transfer value, and the value which you would be paid if you decide to go ahead with a transfer, would not currently include an allowance for any additional entitlement that might result from this judgement. It is likely to take some time for the full effects of this judgement to be considered and any adjustment to your benefits to then be applied.

If you decide to go ahead with a transfer, any additional payment which becomes due will be paid as a subsequent top-up to your chosen receiving arrangement (or, where this is not possibly, may be provided in such alternative benefit form as the Trustees in their absolute discretion determine). We recommend that you discuss this with a financial adviser and check with your chosen receiving arrangement that it is willing to accept the top-up payment.

Additional support

useful organisations

Unbiased is the UKs largest selection of financial advisers. All advisers listed on this site are qualifies and regulated by the FCA.

Website: ***www.unbiased.co.uk***

The **Money Advice Service** is an independent service set up by the Government to provide a range of information about consumer finances, including obtaining independent financial advice.

The **Money Advice Service** also has a directory of financial advisers that specialise in providing advice about retirement. You can use this directory to search for advisers who are pension transfer specialists. You can also search by postcode.

Website: ***www.moneyadviceservice.org.uk***
Phone: **0300 500 5000** (call rates may vary)

The Pensions Advisory Service (TPAS) is an independent, non-profit organisation that provides free information and guidance across the whole range of pensions, including State, occupational and personal.

Phone: **0300 123 1047**

Email: ***enquiries@pensionsadvisoryservice.org.uk***
Website: ***www.pensionsadvisoryservice.org.uk***

The Government's Pension Wise service has online guidance about the flexible benefit options available at retirement. People aged over 50 with DC pension savings may also make an appointment to speak to a guidance adviser free of charge. The guidance is general, will not recommend specific options, and should not be regarded as a substitute for financial advice.

Website: ***www.pensionwise.gov.uk***

To make an appointment with an adviser, call **0300 330 1001**

Find out more

This guide is intended for members of the Defined Benefit Scheme

Log on to
www.merceroneview.co.uk/standardlife/login.tpz
for more information on your pension savings and scheme
or contact Mercer on 0330 100 3491

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